

**REGULAR STATE BANKING BOARD MEETING  
HELD BY CONFERENCE CALL  
OFFICE OF THE COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
2000 SCHAFER STREET, SUITE G  
BISMARCK, NORTH DAKOTA**

**July 13, 2006**

The regular meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chairman Karsky called the meeting to order at 10:02 a.m., Thursday, July 13, 2006, by conference call.

MEMBERS PRESENT: Timothy J. Karsky, Chairman (*Office*)  
Ron Braseth, Member (*Mayville*)  
Bill Daniel, Member (*Bismarck*)  
Launa Moldenhauer, Member (*Bismarck*)  
Roger Monson, Member (*Finley*)

MEMBERS ABSENT: Lorren Henke, Member  
Anita Quale, Member

ALSO PRESENT: Robert J. Entringer, Secretary (*Office*)  
Doug Grenz, Chief Examiner – Banks (*Office*)  
Tim Siegle (*Cavalier*)  
Fred Manuel (*Detroit Lakes, MN*)

**APPROVAL OF MINUTES**

Chairman Karsky indicated the Board received copies of the minutes of the regular meeting held on May 11, 2006.

**It was moved by Member Monson and seconded by Member Braseth to approve the minutes as amended. The motion carried by a vote of 5 to 0, with Members Henke and Quale absent.**

**APPLICATION BY UNITED VALLEY BANK, CAVALIER, TO MERGE WITH UNITED VALLEY BANK, ARGYLE, MINNESOTA, AND TO ESTABLISH AN INTERSTATE BRANCH AT 103 WEST THIRD STREET, ARGYLE, MINNESOTA**

Chairman Karsky reviewed his Memorandum dated July 5, 2006, noting that notice of the application was published pursuant to the joint state and federal requirements in *The Messenger* on May 11, 2006, and the *Cavalier Chronicle* on May 10 and 24, 2006, and June 7, 2006. No comments were received nor were there any requests for copies of the application.

Chairman Karsky reviewed the requirements of Chapter 13-02-13 of the North Dakota Administrative Code dealing with mergers, noting that the application has met the requirements found in Section 13-02-13-02. The Memorandum also included the criterion the State Banking Board must consider in approving an application found in Section 13-02-13-04, noting the applicant has met those criterion.

Chairman Karsky indicated with respect to the interstate branch application, notice was published pursuant to the North Dakota joint state and federal requirements and also under the Minnesota guidelines required by the Minnesota Department of Commerce.

Chairman Karsky reviewed the statutory criterion found in Section 6-08.4-03 of the North Dakota Century Code, noting that the criteria the Board must review have been met. Chairman Karsky also reviewed Section 6-03-13.3 of the North Dakota Century Code which sets forth the facts the Board must consider when approving a facility.

Chairman Karsky then asked Fred Manuel to review the application with the Board. Mr. Manuel indicated the bank was acquired in 2004 and the strategy was to proceed slow and determine if the charter was going to be used for other than branching purposes. Mr. Manuel indicated the conclusion was that the separate charter was not needed; however, there was an issue of transferring loans between the affiliated banks. Mr. Manuel pointed out Tab 3 indicates the Argyle bank is very well capitalized, with a Tier One leverage ratio of 10.59, total risk-based Tier One of 12.52, and total risk-based capital of 13.77; therefore, the bank exceeded the minimums by a large margin. The decision was made to merge the two banks

and then they do not have to worry about transferring loans back and forth, and the bank can be operated much more efficiently.

Mr. Manuel indicated the application was submitted to the FDIC and Department, and approval has been granted by the FDIC subject to approval from both North Dakota and Minnesota. Mr. Manuel indicated this is an interstate branch and Minnesota has different publication requirements; however, notice was published as of June 29, 2006, and once that comment period ends the State of Minnesota is anticipating acting on the application the week of July 17, 2006. Mr. Manuel indicated all of the approvals should be obtained by weekend July 17, 2006.

Mr. Manuel indicated they are anticipating completing the transaction as of July 28, 2006, and the bank will open up as of Monday, July 31, 2006, as a merged entity.

President Siegle indicated there are a lot of efficiencies to be gained, such as eliminating duplications in terms of audit and examinations, as well as two separate boards of directors and two separate boards of director meetings. President Siegle indicated he does not anticipate any staffing changes in Argyle.

Chairman Karsky stated with regard to the State of Minnesota having to get involved in this transaction, he indicated there is a major issue from the Department's prospective with the State of Minnesota as far as charging the bank an application fee, adding that we were going to push the issue but decided it would be better to wait until the State Banking Board and Minnesota approve this application. Chairman Karsky indicated under the Nationwide Cooperative Agreement he personally does not think the State of Minnesota has the right to charge an application fee nor should they have to approve the application because it is a Minnesota charter that is merging into a North Dakota charter with North Dakota being the survivor; therefore, there are some issues the Department intends to pursue and the issues created some problems for the applicant, adding that we apologize for those difficulties and delays. Chairman Karsky indicated he hopes to get this resolved so if this issue arises again, we will not have to worry.

Chairman Karsky asked Mr. Manuel if it was correct that the application fee to Minnesota was \$2,000, and Mr. Manuel indicated that was correct. Chairman Karsky indicated the Department will try to get that money refunded to the applicant.

Mr. Manuel outlined the mechanics of having to file with the Minnesota Secretary of State and the difficulties involved with that process. Mr. Manuel pointed out that with the Hannaford and Walker, Minnesota, merger, the State of Minnesota did not get involved because it was a national bank.

Chairman Karsky indicated the Department is recommending approval of both the merger and interstate branch applications, and included an Order for the Board's consideration.

**It was moved by Member Monson and seconded by Member Braseth to approve the application of United Valley Bank, Cavalier, to merge with the United Valley Bank, Argyle, Minnesota, and to establish an interstate branch at 103 West Third Street, Argyle, Minnesota. The motion included that Chairman Karsky be authorized to sign the Order on behalf of the Board. The motion was approved by a vote of 5 to 0, with Members Henke and Quale absent.**

Chairman Karsky asked Mr. Manuel and President Siegle if he could indicate in a letter to the State of Minnesota that both agreed with the Department that the application for merger was unnecessary for the State of Minnesota since the State of North Dakota would be the primary supervisor of the ultimate surviving institution. Mr. Manuel indicated he would not be opposed to that, and President Siegle indicated Chairman Karsky could use their comments to his best discretion.

Mr. Manuel and President Siegle left the conference call at 10:20 a.m.

#### **CITIZENS STATE BANK – MIDWEST, CAVALIER – APPLICATION TO ESTABLISH AN INTERSTATE BRANCH AT 101 SHEVLIN AVENUE SW, BEMIDJI, MINNESOTA**

Chairman Karsky reviewed his July 5, 2006, Memorandum for the Board, which noted that notice of the application was published in the *Bemidji Pioneer* on May 19 and 26, 2006, and in the *Cavalier Chronicle* on May 24 and 31, 2006. No comments were received concerning the application. A letter was sent to the Minnesota Department of Commerce, and the Department received a letter on May 23, 2006, indicating the Minnesota Department of Commerce will not offer any comments concerning the application.

Chairman Karsky reviewed the criteria found in North Dakota Administrative Code Chapter 13-02-05, as well as North Dakota Century Code Chapter 6-08.4 regarding interstate branching. Chairman Karsky's Memorandum also reviewed the criteria the Board must consider in approving this transaction, and the Department has determined that the requirements of the law have been met and the application is complete. Chairman Karsky stated it is the Department's recommendation the application be approved. Chairman Karsky indicated this is the second branch for the Citizens State Bank – Midwest in the Bemidji, Minnesota, community, which will provide additional opportunity to further serve their customers. Chairman Karsky added the Department has no issues with the cost of the location or the projections within the application.

Member Monson asked if the first branch is meeting projections, and Chairman Karsky indicated he understood it was.

Assistant Commissioner Entringer indicated Citizens State Bank – Midwest acquired the Stephens, Minnesota, bank which also had an office in Kennedy, Minnesota, and that bank was merged immediately. The bank then applied for an interstate branch in Bemidji, Minnesota, and the current application would be for their second location in Bemidji.

Chairman Karsky also indicated there is a proposed Order for the Board's consideration.

**It was moved by Member Moldenhauer and seconded by Member Braseth to approve the application by Citizens State Bank – Midwest, Cavalier, to establish an interstate branch at 101 Shevlin Avenue SW, Bemidji, Minnesota, and to authorize Chairman Karsky to sign the Order on behalf of the Board. The motion was carried by a vote of 5 to 0, with Members Henke and Quale absent.**

#### **MCLEAN BANK HOLDING COMPANY, GARRISON – CHANGE OF CONTROL APPLICATION IN WHICH JAN STROUP WILL ACQUIRE 30.96% OF THE OUTSTANDING STOCK**

Chairman Karsky indicated this application was previously approved by the Board via mail vote; therefore, the approval needs to be reaffirmed by the Board at this time.

**It was moved by Member Moldenhauer and seconded by Member Monson to reaffirm the mail vote of the McLean Bank Holding Company change of control application. The motion was carried by a vote of 5 to 0, with Members Henke and Quale absent.**

**FIRST INTERNATIONAL BANK & TRUST, WATFORD CITY –  
APPLICATION TO DECREASE THE CAPITAL STOCK FROM 4,347  
SHARES AT \$100 PAR VALUE TO 4,302 SHARES AT \$100 PAR VALUE**

Assistant Commissioner Entringer indicated the Board received a copy of the Certificate of Decrease of Capital Stock. Assistant Commissioner Entringer indicated when First International Bank & Trust acquired the Farmers State Bank, Elgin, the Articles of Merger were sent to the Secretary of State's office to be filed and that office noticed the outstanding number of shares did not coincide with what their office had on file. Assistant Commissioner Entringer indicated it was discovered there were a couple transactions filed with the Secretary of State's office which had different capital stock numbers; however, those difference were not caught at that time by the Secretary of State's office or the Department. Assistant Commissioner Entringer indicated apparently several years ago there was one shareholder who retired 45 shares and approval was never requested from the State Banking Board for that subsequent decrease in capital stock nor was it filed with the Secretary of State's office. Assistant Commissioner Entringer indicated what is actually outstanding on the bank's books is 4,302 shares; therefore, in order to get the Secretary of State's records to reflect this decrease, the State Banking Board needs to approve a decrease in capital stock.

Assistant Commissioner Entringer indicated the law requires that the State Banking Board approve any decrease in capital stock before it is reduced; therefore, the Board needs to act on this so the Secretary of State's records are consistent with the bank's outstanding shares.

**It was moved by Member Monson and seconded by Member Braseth to approve the application to decrease the capital stock of First International Bank & Trust, Watford City, from 4,347 to 4,302 shares. The motion carried by a vote of 5 to 0, with Members Henke and Quale absent.**

## **ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION – CITIZENS STATE BANK, ENDERLIN, TO CHANGE ITS NAME TO CORNERSTONE BANK, ENDERLIN**

Assistant Commissioner Entringer indicated the fax of the Articles of Amendment was received on June 29, 2006, and apparently the bank sent the original directly to the Secretary of State's office. The Secretary of State's office forwarded the Articles of Amendment to this Department for approval before filing.

Assistant Commissioner Entringer indicated the Articles of Amendment are marked to be effective when filed with the Secretary of State; therefore, if the Board approves the name change, it will be forwarded to the Secretary of State's office for recording and the name change will be effective as of that date.

**It was moved by Member Daniel and seconded by Member Braseth to approve the Articles of Amendment for the name change of Citizens State Bank, Enderlin, to Cornerstone Bank, Enderlin. The motion carried by a vote of 5 to 0, with Members Henke and Quale absent.**

## **APPLICATION BY HUNTER HOLDING COMPANY TO ACQUIRE AND MERGE WITH STREETER INSURANCE AGENCY, INC., AND THEREBY ACQUIRE CONTROL OF THE STATE BANK OF STREETER**

Darvin Hauff and Greg Honl joined the conference call at 10:35 a.m.

Assistant Commissioner Entringer reviewed his Memorandum dated June 28, 2006, noting the application was deemed complete on June 13, 2006, and was published in the *Jamestown Sun* on June 16, 2006. The comment period ended June 26, 2006, and no comments were received nor were there requests for any copies of the application. Assistant Commissioner Entringer reviewed the approval criteria found in Section 6-08-08.1(4).

Mr. Honl indicated the transaction set forth is Hunter Holding Company acquiring the Streeter Insurance Agency, Inc., which owns the State Bank of Streeter. Because this holding company is also an insurance agency, the Federal Reserve required an FY4 application to be filed; however, the transaction as contemplated would be a momentary acquisition of the insurance receivables

because the subsidiary bank, Gackle, would acquire the insurance premium receivables and is already a licensed insurance agency. After the transaction, Hunter Holding Company will be a three-bank holding company: Dakota Heritage Bank of North Dakota, Hunter; First State Bank of Gackle; and the State Bank of Streeter. Mr. Honl stated the application does indicate there are plans to merge the Streeter and Gackle banks sometime later this year. Mr. Honl indicated it this is a relatively straight forward application, with the exception of the insurance powers which will be pushed down immediately to the Gackle bank.

Assistant Commissioner Entringer indicated the Gackle bank already has an insurance agency; therefore, the Board does not need to approve the acquisition of the insurance agency.

Assistant Commissioner Entringer indicated in regard to funding of the transaction, the Dakota Heritage Bank of North Dakota, Hunter, has already received approval for its dividend and the First State Bank of Gackle does not need approval to declare its dividend; however, the State Bank of Streeter will have to request approval later. Assistant Commissioner Entringer indicated he and Mr. Honl spoke about that earlier, and the request can be approved by Commissioner Karsky when submitted. Assistant Commissioner Entringer indicated that Darvin Hauff will assume the role of Chairman of the Board for the State Bank of Streeter, with Jason Hauff and Brad McCullough also joining the Board. Bryan Spitzer will remain as President and a member of the Board and Glenna Spitzer will remain as Cashier.

Assistant Commissioner Entringer indicated the Department's recommendation is to approve the change of control application by Hunter Holding Company to acquire and merge the Streeter Insurance Agency, Inc., and thereby indirectly acquire the State Bank of Streeter.

**It was moved by Member Braseth and seconded by Member Monson to approve the application for change of control by Hunter Holding Company to acquire the Streeter Insurance Agency, Inc. The motion was carried by a vote of 5 to 0, with Members Henke and Quale absent.**

Darvin Hauff and Greg Honl left the meeting at 10:40 a.m.



## **REAFFIRM MAIL VOTE**

Assistant Commissioner Entringer indicated the Board previously approved via mail the Articles of Amendment regarding the name change of American State Bank and Trust of Dickinson, Dickinson, to change its name to American Bank Center, Dickinson; Bank Center First, Bismarck, to change its name to American Bank Center First, Bismarck; American Agricultural Credit Corporation, Dickinson, to change its name to American Ag Center, Dickinson; and also to approve American Agricultural Credit Corporation, Dickinson, to establish a branch at 1101 Interstate Avenue, Bismarck.

Assistant Commissioner Entringer indicated even though the Board has already approved the name change for American Agricultural Credit Corporation, he indicated the Articles of Amendment will be returned because the Secretary of State's office has rejected the name change since it did not include the words "Incorporated", "Company", "Corporation", or "Limited", or an abbreviation of any one of those.

**It was moved by Member Daniel and seconded by Member Moldenhauer to reaffirm the name changes and the subsidiary branch location. The motion carried by a vote of 5 to 0, with Members Henke and Quale absent.**

## **ITEMS TO BE NOTED**

### *Department of Financial Institutions*

Western State Bank, Devils Lake, received approval to close its facility located at 2000 44<sup>th</sup> St SW, Fargo, effective June 9, 2006; however, the facility did not close until June 17, 2006, due to publication problems.

## **REAPPOINTMENT OF LORREN HENKE**

Chairman Karsky noted that Governor Hoeven has reappointed Lorren Henke for a five-year term on the State Banking Board.

The Board went into closed session at 10:48 a.m.

---

Timothy J. Karsky, Chairman

---

Robert J. Entringer, Secretary